

PREFACE/CLASS OUTLINE
ACQUISITION AND LOGISTICS EXCELLENCE WEEK 2001

TOPIC: Services Acquisition

LENGTH/TYPE 1 hour Seminar/Lecture

SCOPE: Federal agencies spend billions of dollars each year to buy services ranging from consulting services to information technology services, and services to support the management and operation of government facilities. The amount is growing substantially. Purchases for services now account for about 43 percent of federal contracting expenses – the largest single spending category! The Services Acquisition module describes the DoD and Federal imperatives and rationale to move from a ‘process-based’ services environment that concentrates on *how to perform* to ‘performance-based’ services that describe *outcomes* and holds the contractor responsible to propose the process that will achieve the activity’s outcomes. The Services Acquisition module incorporates concepts found in DoD’s January 2001 Guidebook for PBSA. It provides a roadmap for the multifunctional team to follow as they develop a PBSA. Requiring activities, functional specialists, contracting professionals, and other stakeholders are prime candidates to attend. The lecture continues with a 4-Step Requirements Analysis process to: (1) determine required tasks; (2) identify tentative performance standards (3) develop metrics to measure performance; and (4) identify data, equipment and facility requirements. Participants who grasp and apply this process will find the task of writing the Performance Work Statement (PWS) much less formidable. The module closes with a matrix used to integrate the information from the 4-Step analysis into a standard six paragraph PWS.

OBJECTIVES: At the completion of this workshop, the participant will be able to:

1. Understand the performance and streamlining benefits from using performance-based services.
2. Recognize the 4-Step Requirements Analysis to identify requirements, standards, metrics, and work data.

MATERIALS:

Presentation Charts

Acquisition of Services



A&LE
Acquisition
& WEEK
Logistics
Excellence

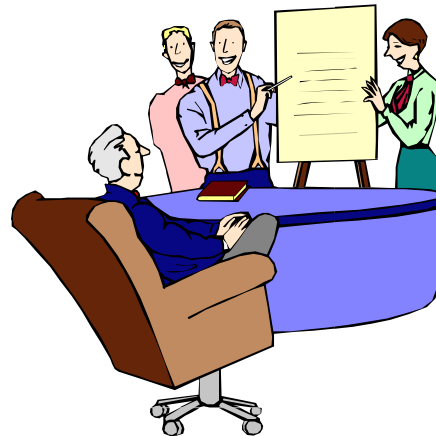
September 10-15, 2001

Learning Objectives

Understand the benefits and objectives of Performance-Based Services Acquisition.

Recognize and apply the 4-Step Requirements Analysis process to identify tasks, standards, metrics and work data.

Recognize Performance Assessment (Quality Assurance) methods and situations for their use.



Pilot Project Results

OFPP PILOT

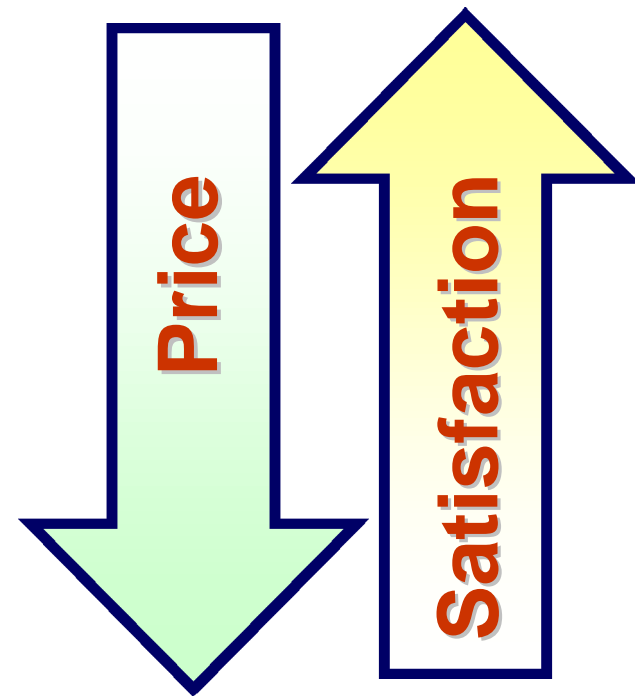
26 recurring service contracts

\$ Range 100K - 325M

Before & After measurements

METRICS

- Price
- Satisfaction
- Competition
- Audit
- Procurement Lead Time





Trends & Challenges in Acquiring Services

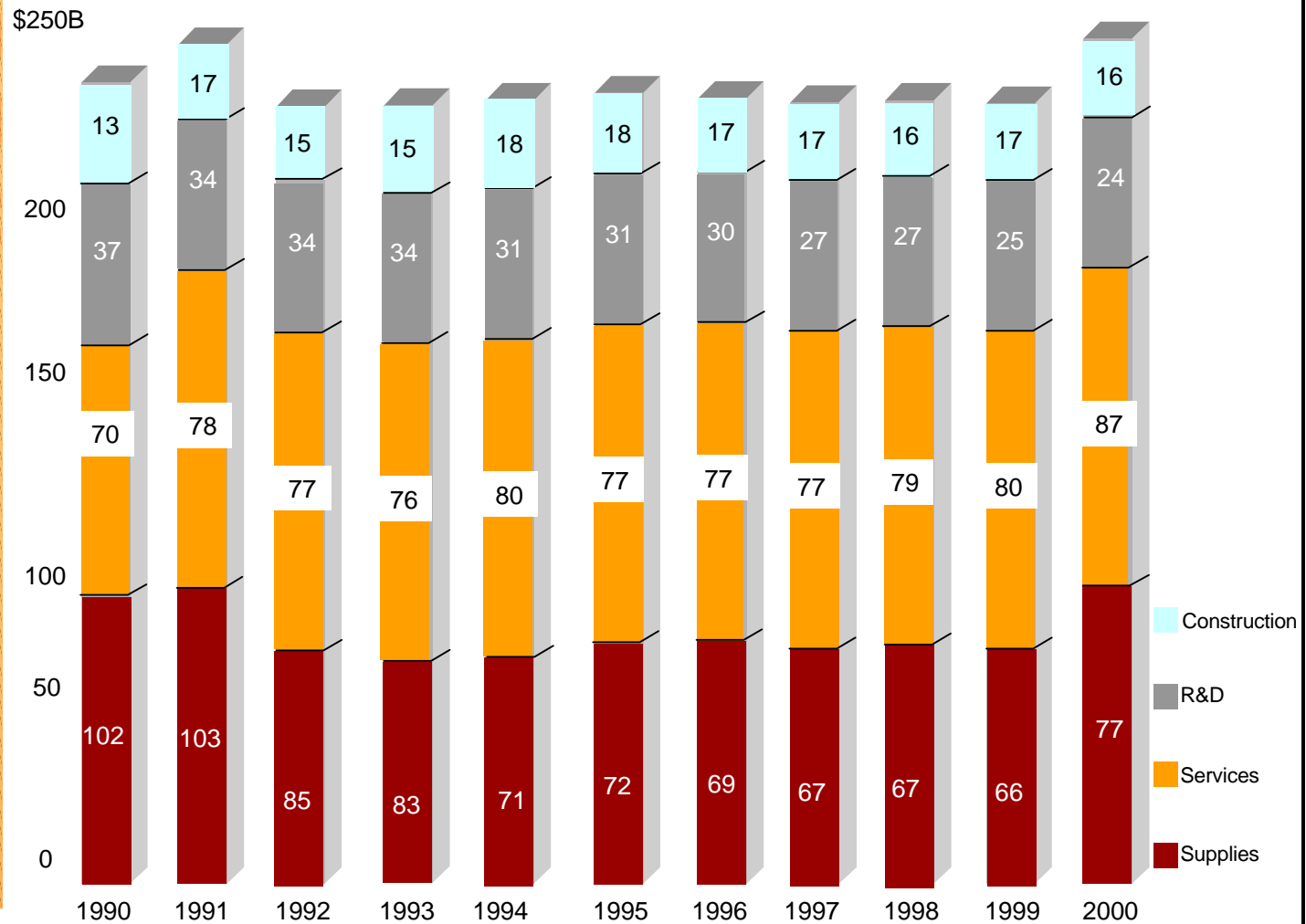
Each year, federal agencies buy billions of dollars worth of services. **The growth of services has largely been driven by the government's increased purchases of information technology services** and administrative, and management support services. The federal government spent more than \$87B on services in 2000 - a 24% increase in real terms from FY 90. **Purchases of services now account for about 43% of federal contracting expenses - the largest single spending category.** Some service procurements are not being done efficiently. Agencies are not clearly defining their requirements, fully considering alternative solutions, and adequately overseeing performance. Poor contract management undermined the government's ability to obtain good value for the money and continues to be a major problem. **Performance-based services acquisition is one way to address the contract management challenges.**

- GAO-01-753T May 2001



08/11/01

Changes in Federal Contract Spending, Fiscal Year 1990 to Fiscal Year 2000



Source: GAO-01-753T (May 22, 2001)

Services A&LE

5

Guiding Principles

- Use Performance-Based methods to acquire services.
- Fixed price and performance-based services are complementary strategies
- Use multi-functional acquisition teams
- Early planning is essential to determine requirements and to assess market conditions; it should include the user
- Acquisition strategies should be tailored based upon experience, market research and risk. PBSA is not “one
- Templates are only a partial solution. Work statements should be individually tailored to the requirement.
- Seek industry comment and suggestions regarding performance objectives, standards and incentives.



What is PBSA?

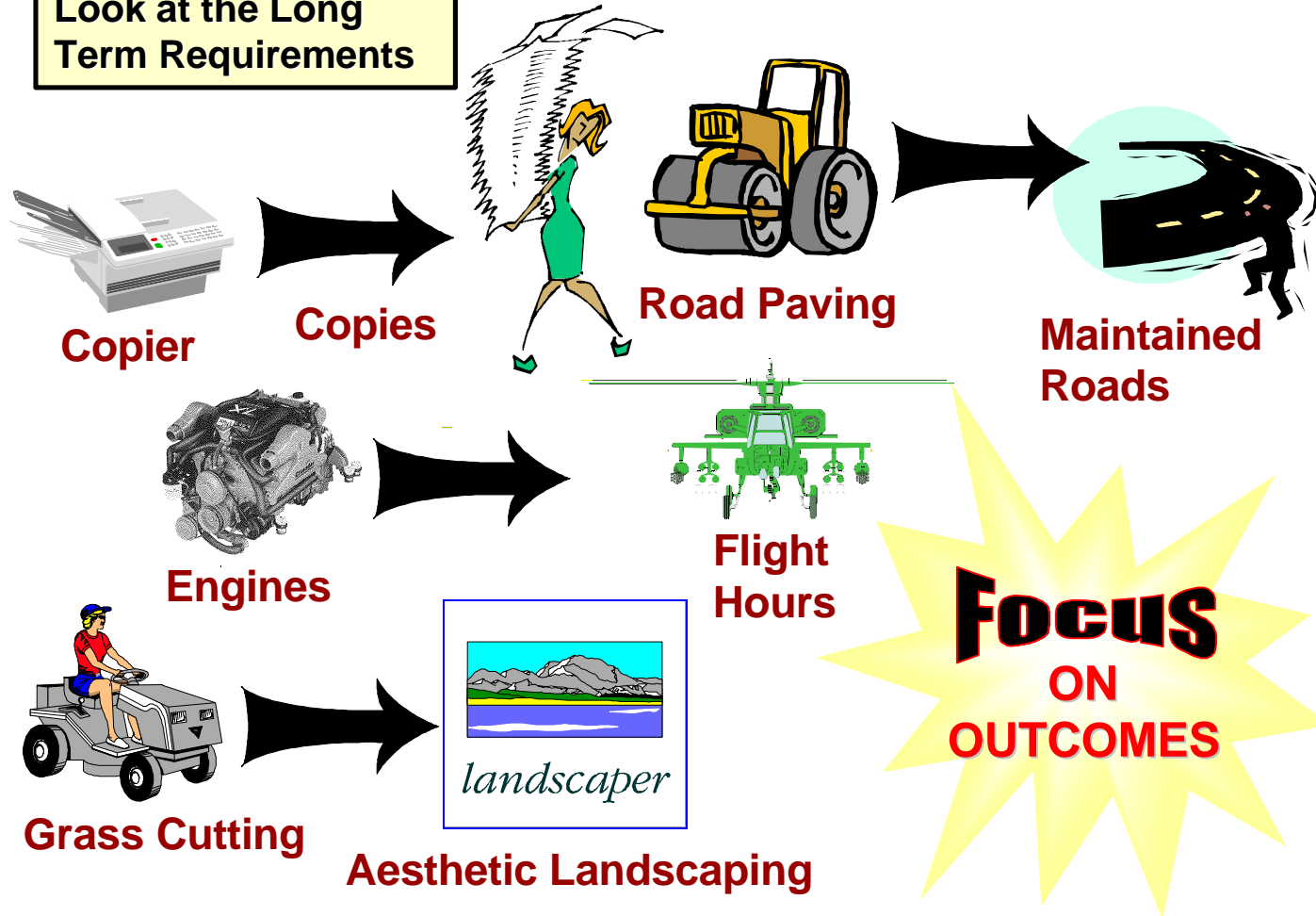
Performance-Based Services Acquisition involves acquisition strategies, methods and techniques that describe and communicate measurable outcomes rather than direct performance processes. It is structured around defining a service requirement in terms of performance objectives and providing contractors the latitude to determine how to meet those objectives. It is a method for acquiring what is required and placing the responsibility for how it is accomplished on the contractor.

Objectives:

- ⇒ Maximize Performance
- ⇒ Maximize Competition and Innovation
- ⇒ Encourage & promote the use of Commercial Services
- ⇒ Shift in Risk
- ⇒ Achieve Savings

What Do We Really Want?

Look at the Long
Term Requirements



Un-Cover the “Real” Requirement

Express your Customer’s requirement in performance -based terms that can be incorporated into a PWS.

Screen Requirements

- **Do they accurately portray the desired outcomes in performance terms understandable to the marketplace? If not, conduct additional market research for business practices**
- **Are they bound up in old practices, are they process or procedure oriented, or too narrowly focused to only one solution? If so, analyze the requirements for the real need.**



Preference for Performance-Based Contracting

FAC 97-25 (Fed Reg May 2, 2001)



Interim Rule!

...implements Section 821 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. Section The rule affects contracting officers that buy services by explicitly establishing a preference for performance-based contracts or task orders

37.102 Policy (a) Performance-Based contracting is the preferred method for acquiring services...except for--

- A&E Services (Part 36) - Utilities (Part 41)
- Construction (Part 36) - Services incidental to supply purchases

Order of Preference:

1. Firm-Fixed Price Performance-Based contract or T.O.
2. Performance-Based contract or T.O., not firm-fixed price
3. A contract or T.O. that is not performance-based.

What Makes A Service “Performance-Based”?

- Requirements define work in measurable, mission-related terms
- Performance Standards tied to the Requirements
- Quality Assurance Plan describes how performance will be measured against standards
- Positive/Negative incentives tied to QA Plan measurements for critical requirements

What FAR says...

Structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work. **2.101**

Performance-Based Contracting Goals

- ▲ Required Services
- ▲ Performance Standards



- ★ Ensure Quality levels achieved
- ★ Price paid is related to degree standards are met

Applied to Follow-on/Repetitive Requirements

Practical & Cultural Obstacles

Required Government Interfaces

"Business as Usual"

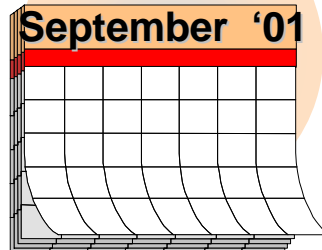
"We've Always Done It This Way "

"Fear of the Unknown"

"Don't Rock the Boat"

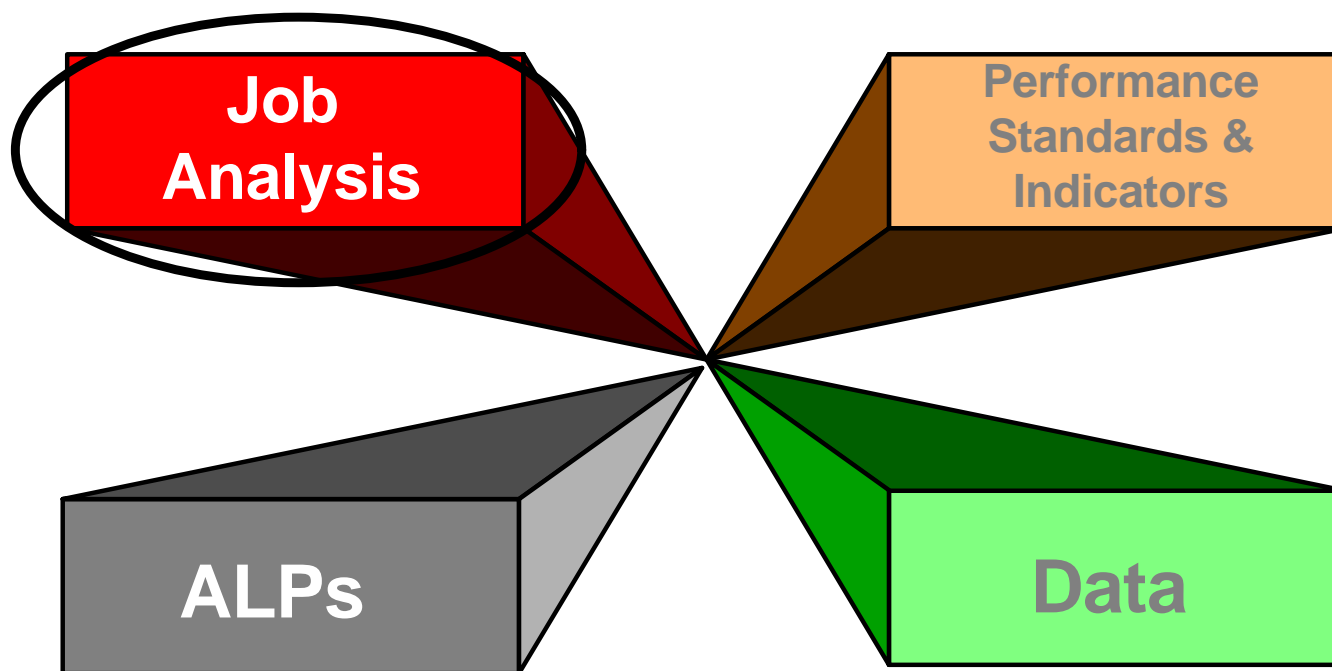
"My Sandbox"

"Not on MY Watch!"



**Small Business
Concerns/Bundling**

4 - Step Requirement Analysis



The acquisition team will conduct a series of in-depth analyses to understand the requirement fully in order to be able to articulate the desired outcomes.

Customer Interview- the Multifunctional Team



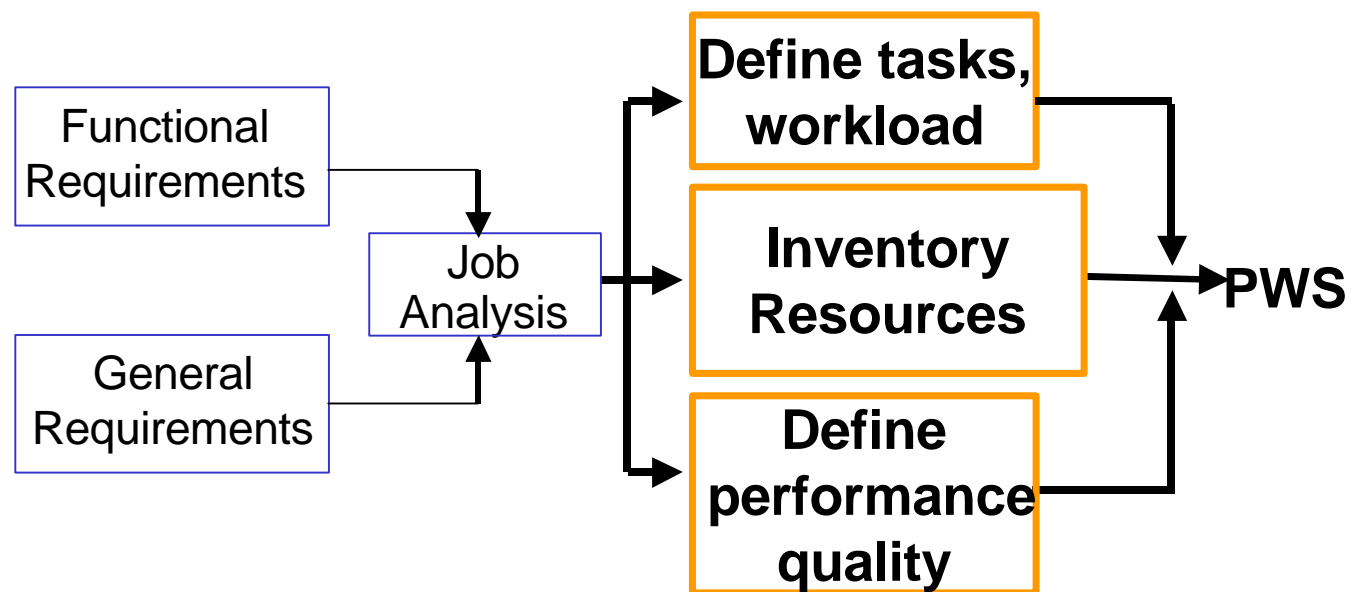
Tasks

Standards

Quality

Performance Requirements Analysis

- Conduct Outcome analysis
- Performance Objectives
- Detail Tasks



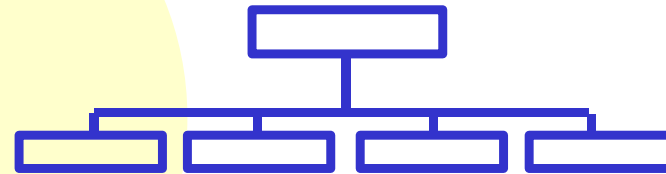
What Tasks must be Accomplished to arrive at the desired Outcome?

Job Analysis



... consists of:

- Organizational Analysis
- Tree Diagramming



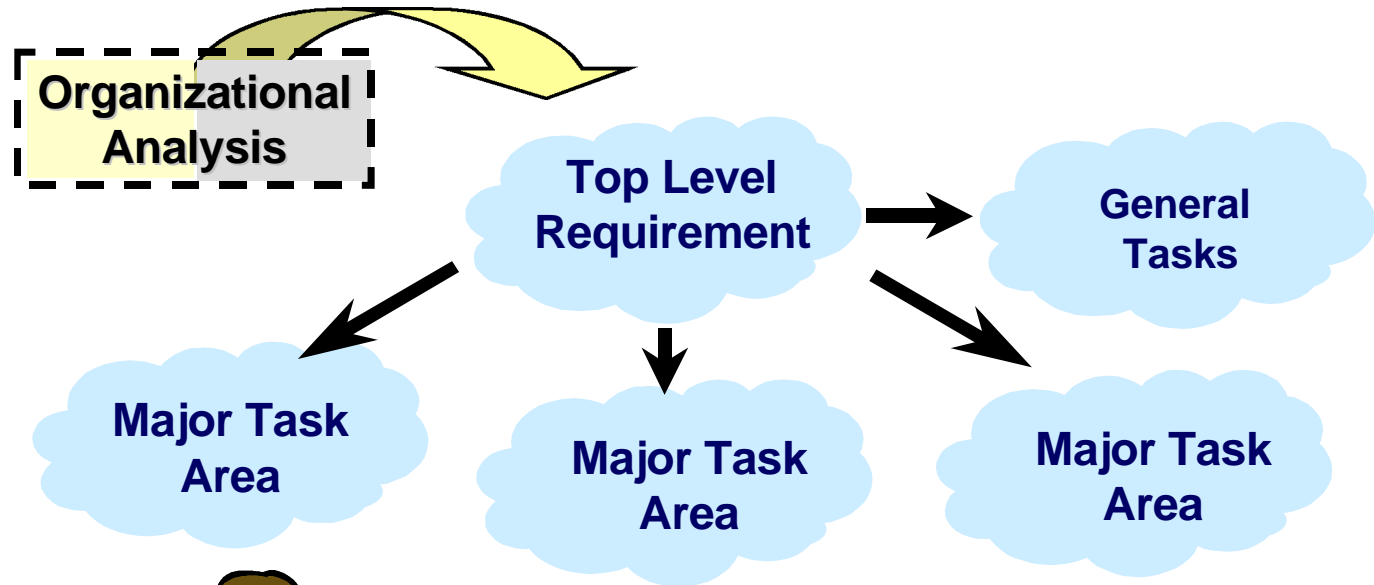
- Activity Analysis



Organizational Analysis Template

Name of Organization	<i>Organization requiring the Service</i>
Requirement	<i>Description of the Top Level requirement</i>
Services Required	<i>Description of the services required by the organization What? Where?</i>
• Normal	<i>Daily/Routine Operations</i>
• Contingent	<i>Special Requirements, Surge Requirements</i>

Work Breakdown Structure

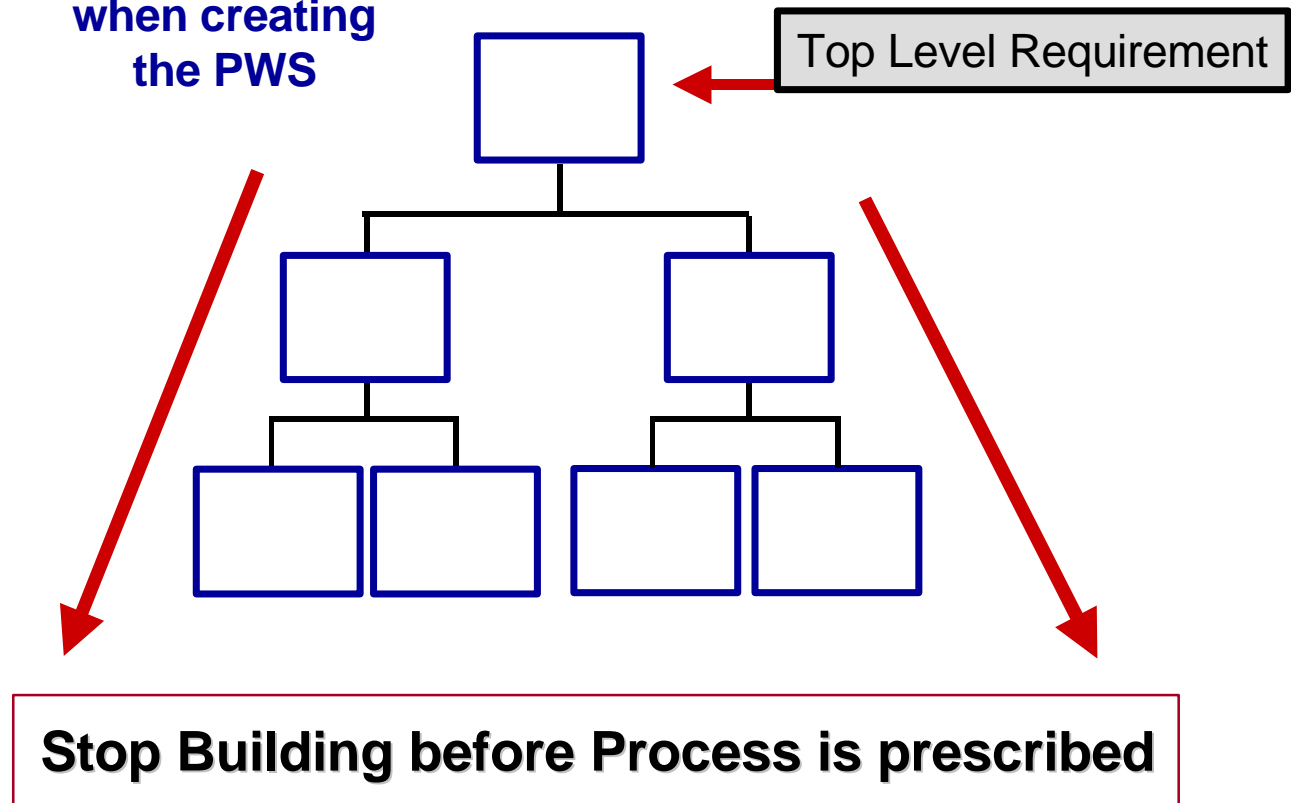


What tasks do we want done?

**Identify All Requirements,
Logical Task Organization**

Building the WBS Pyramid

Write “down the pyramid”
when creating
the PWS



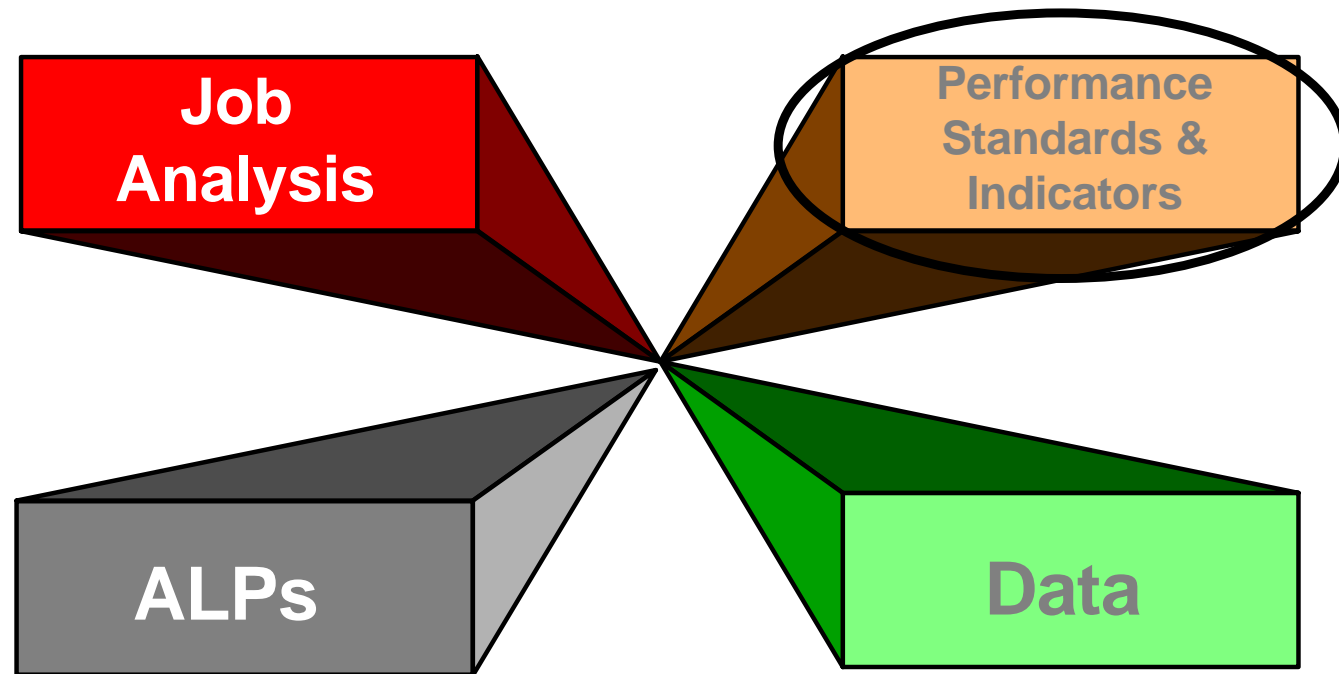
Activity Analysis: Information For The New PWS

Input → Work → Output

1. When does the Contractor take responsibility?
2. What are the performance constraints?
3. What is the significant outcome?
4. How can the efficiency of the Government's process be enhanced?

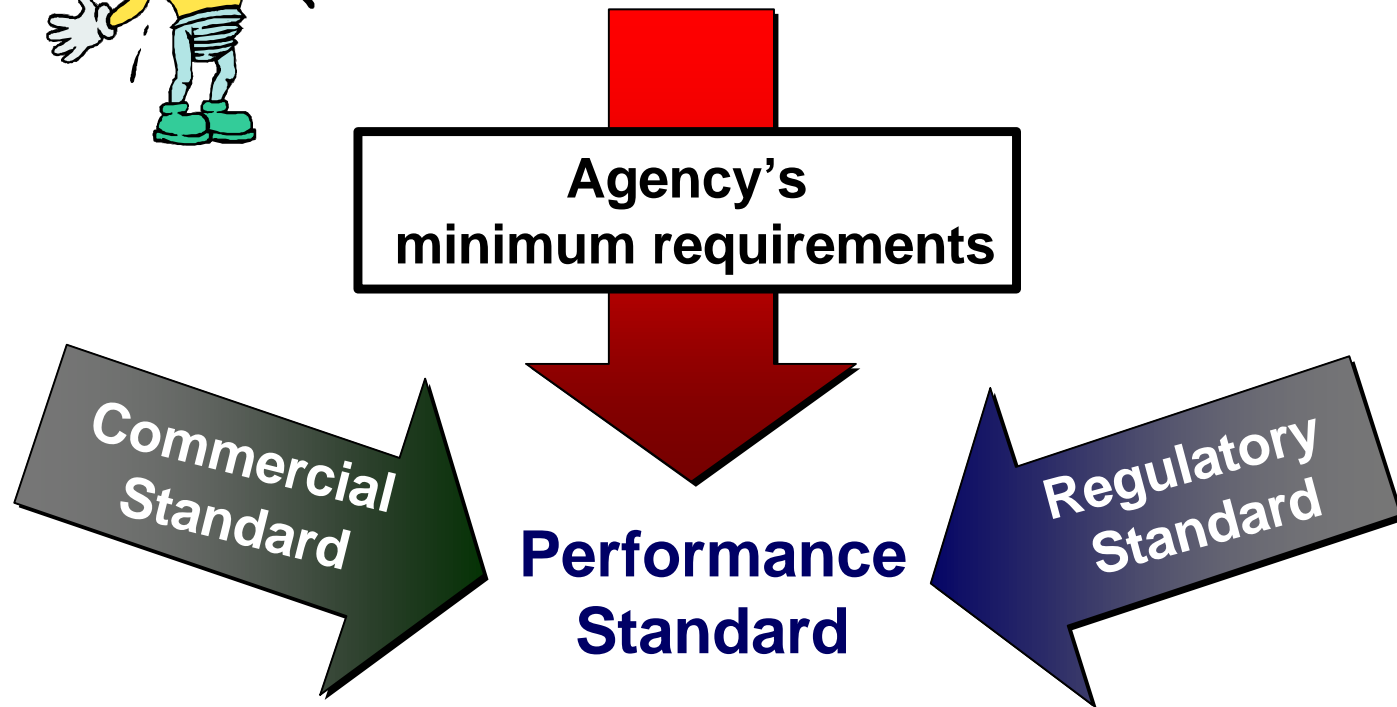
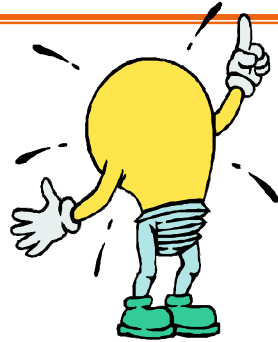
Include These in New PWS!

Developing the PWS- Performance Analysis



**When or how will I know that the outcome
has been satisfactorily achieved?**

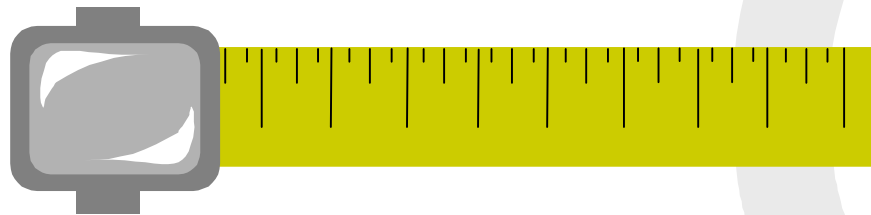
What Determines the Performance Standard?



Defining Performance Standards

Performance Standard: An acknowledged measure of comparison. Describes 'how well' a task must be performed.

Performance Indicator: A characteristic of an output that can be measured. Identifies a metric that relates the standard to the performance outcome.



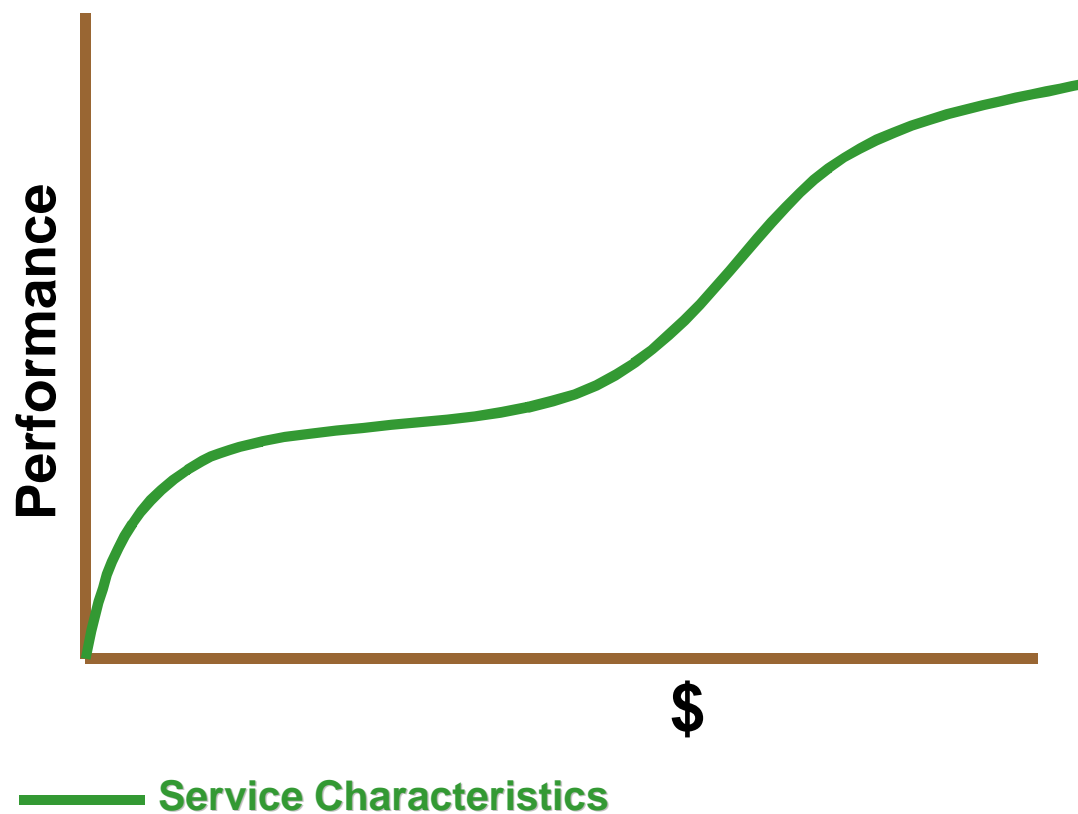
Metrics - Measurable Performance Indicators

- **Quality**
 - Failure rates
 - Customer satisfaction
- **Effectiveness**
 - % inoperable
- **Total Cost**
- **Timeliness**
 - Adherence to schedule
 - Response time
- **Quantity**
 - Performance bands
 - Completion rates

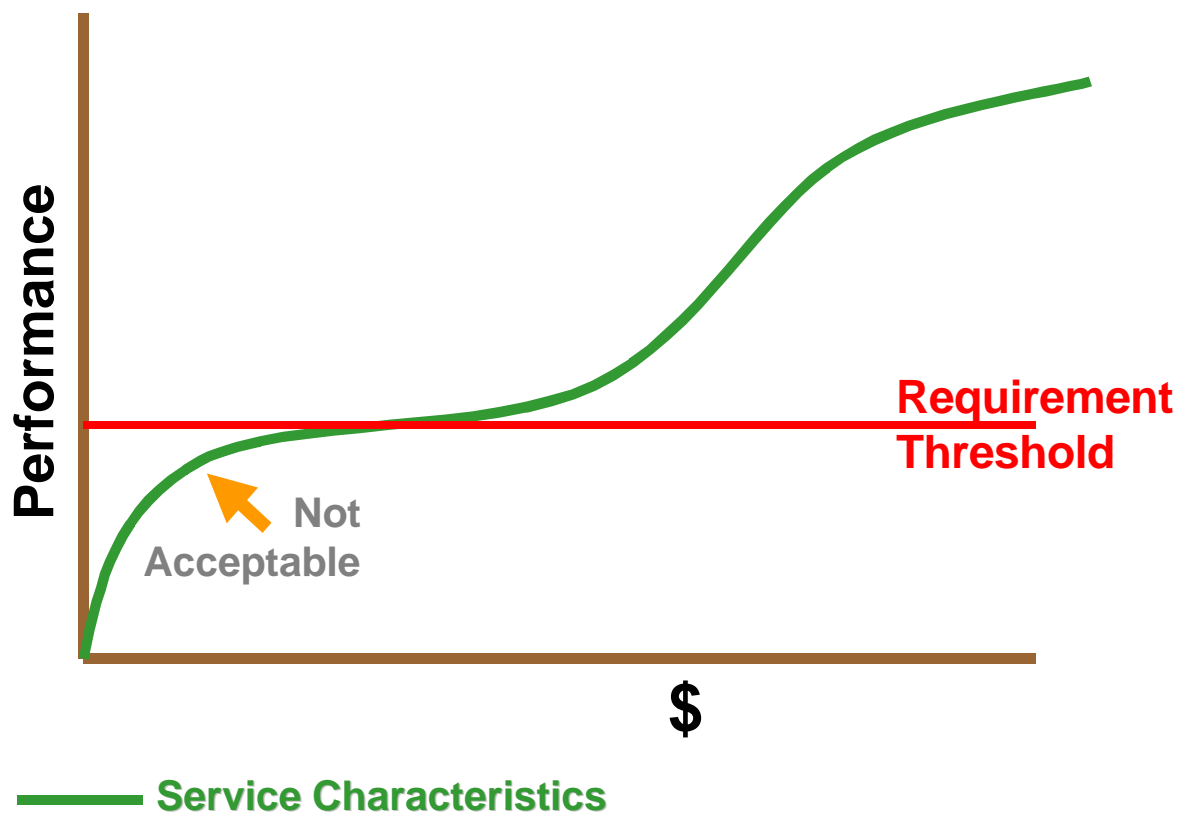


What will allow you to measure how well the process generates the output?

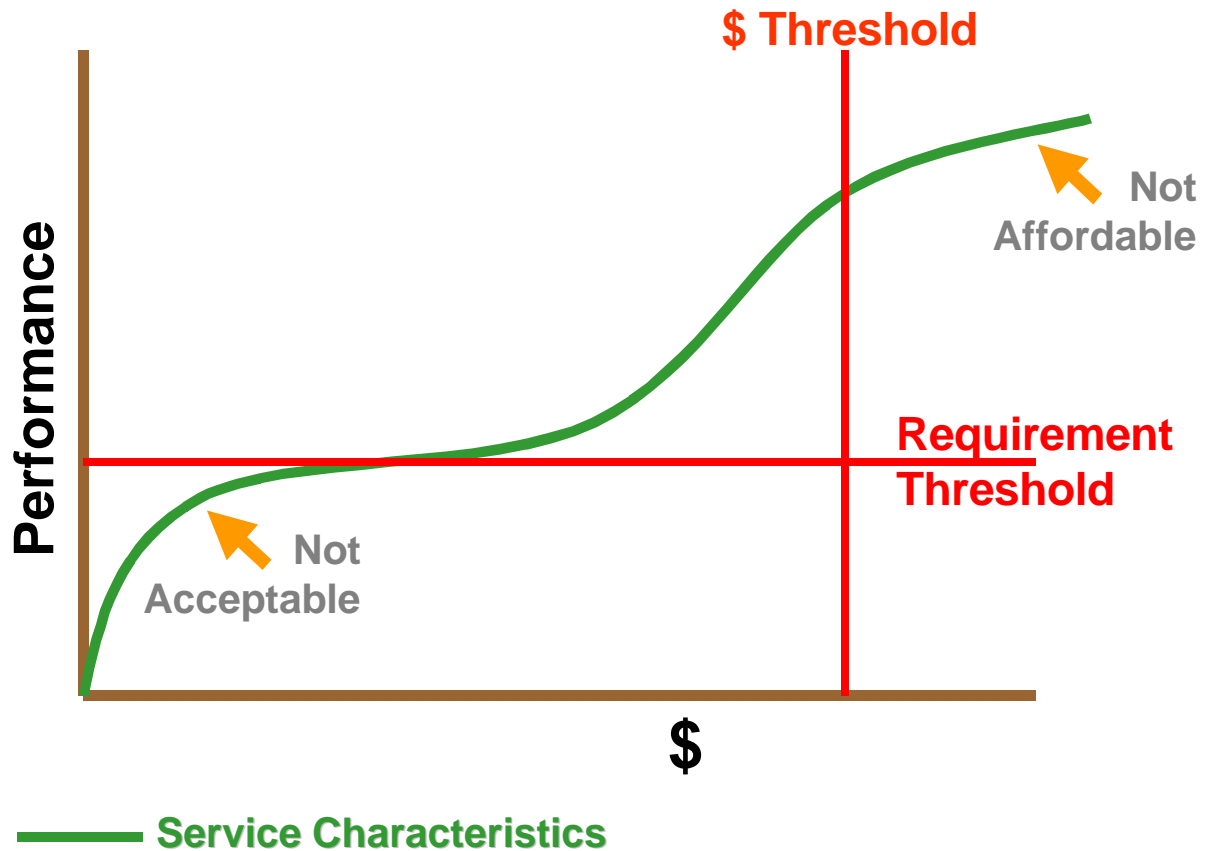
Analysis: Performance - Price



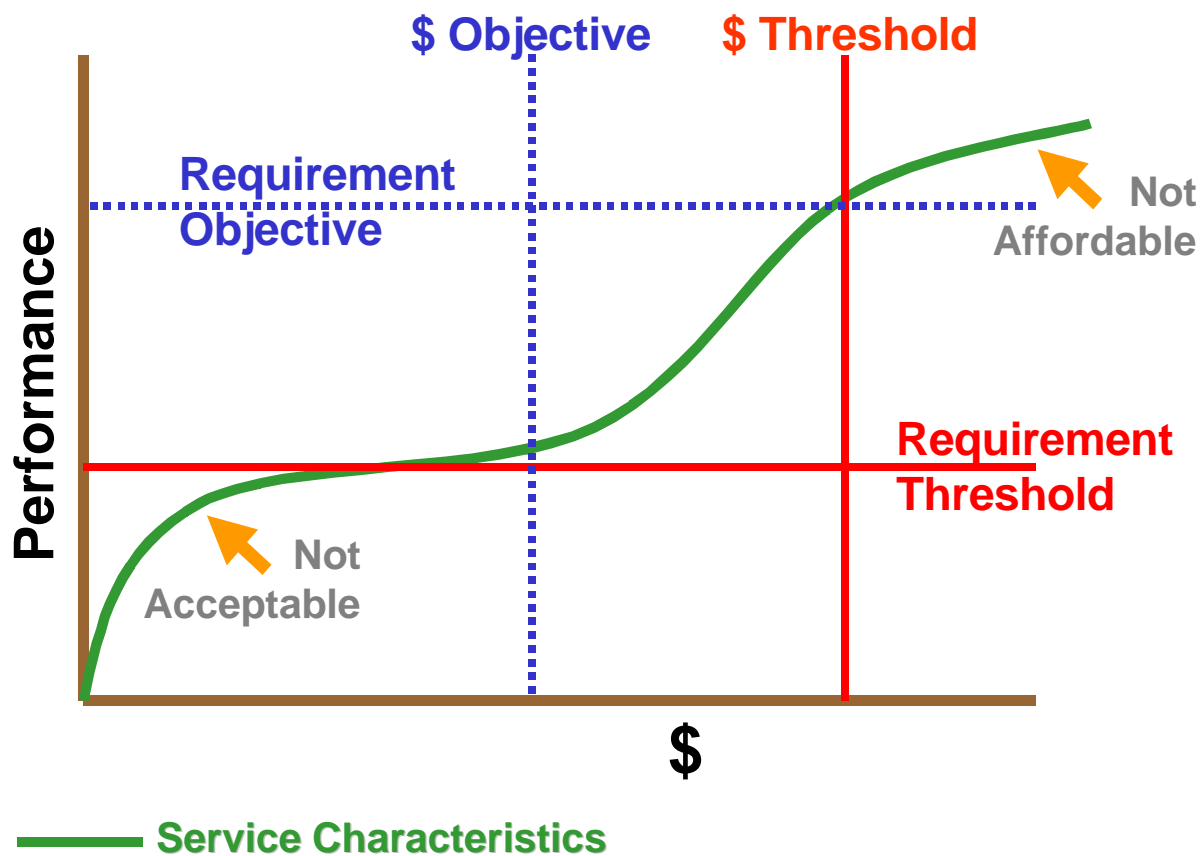
Analysis: Performance - Price



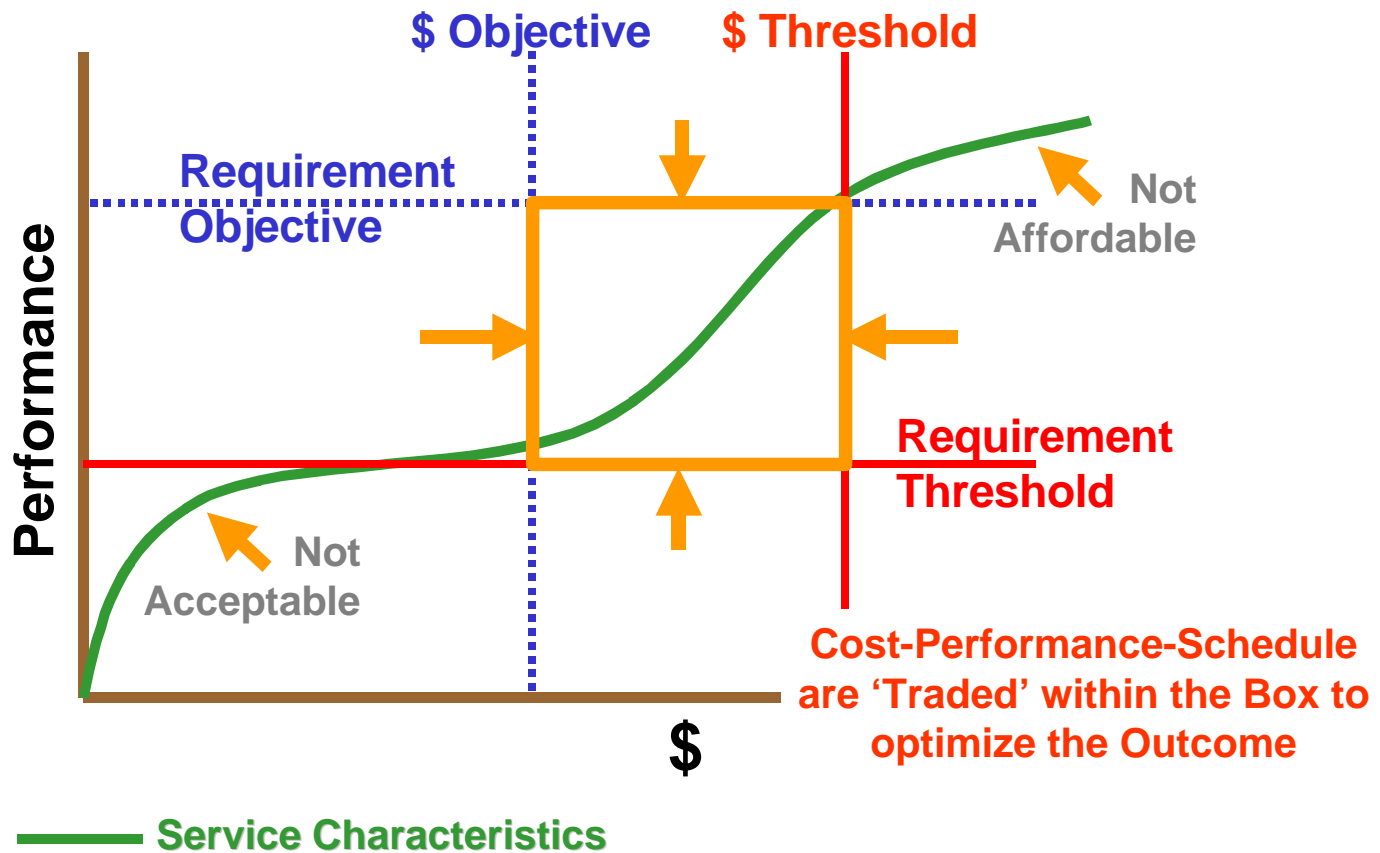
Analysis: Performance - Price



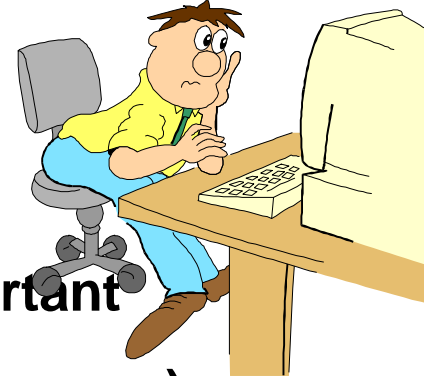
Analysis: Performance - Price



Analysis: Performance - Price



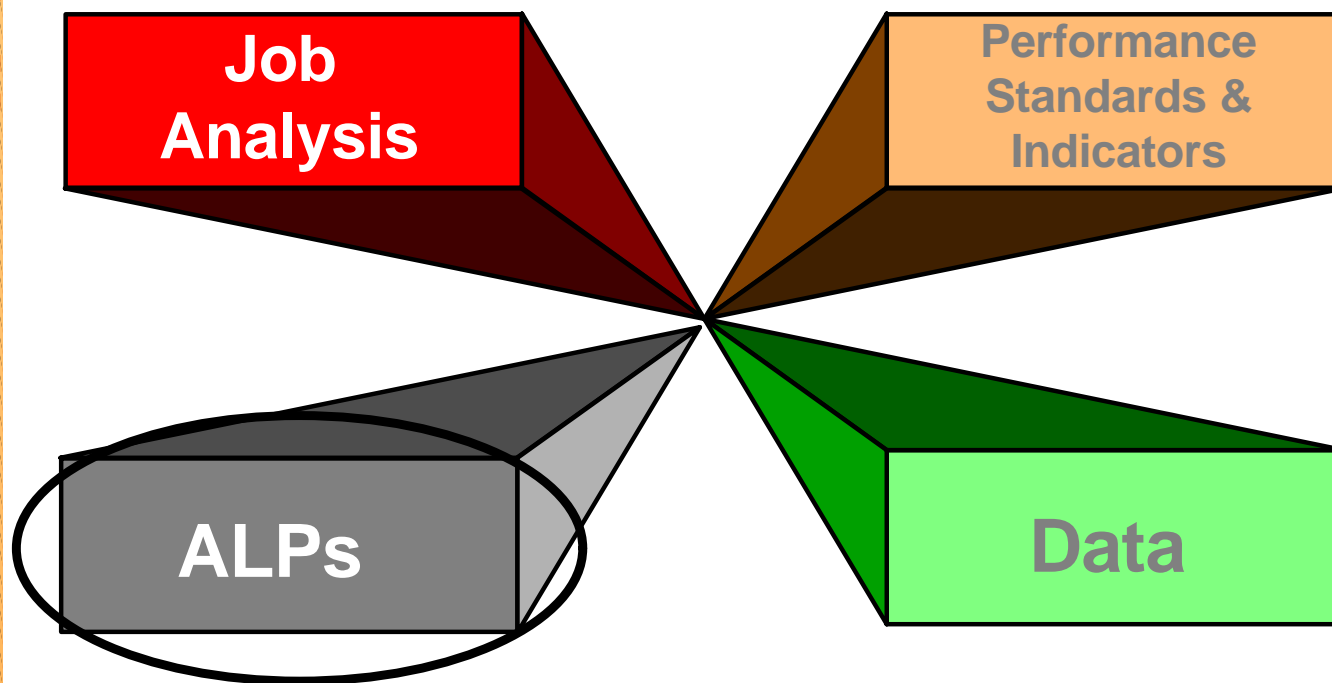
Systems of Performance Standards



- Define what Performance is important
- Relate to a result (rather than a process)
- Provide objective and quantifiable definitions
- Location-, Technology- neutral
- Include Contractor **control-able** results

**Standards are based on a tradesperson,
at a skill level, with the right tools.**

Developing the PWS “Thresholds”

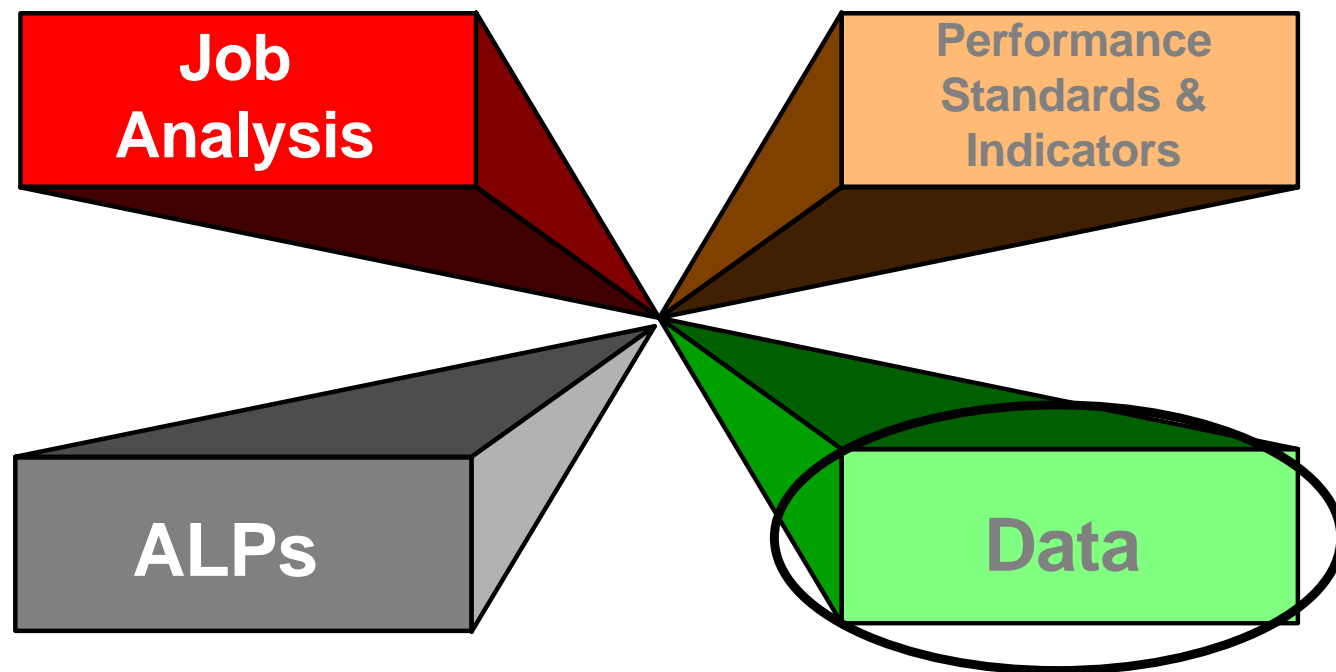




Acceptable Levels of Performance

Standard		ALP
Timeliness	Respond Within "X" Hours	4.0%
Quality	IAW Professional Standards	3.0%
Reporting	Complete/ Accurate Work Records	7.5%

Sharing Workload Data



Workload Data

How Often?

**Cyclic?
Seasonal?**



**Associated
Skills?**

**Incidence of
Specific
Tasks?**

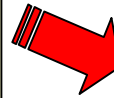
Historical Workload Data - Skills

Craft	% Service Orders
Electrical	10.4%
Electrical (High Voltage)	2.9%
Laborer Work	3.4%
Roofing	0.1%
Welding	0.3%
Sheet Metal Work	1.0%
Painting	8.5%
Sign Painting	0.9%
Pipefitting	1.7%
Plumbing	25.3%
Carpentry	10.8%
General Maintenance	7.0%
Locksmithing	3.8%
Gardening	0.4%
Pest Control	4.5%
Air Conditioning Equipment Maintenance	7.0%
Heating and Boiler Equipment Maintenance	6.1%
Kitchen Equipment Maintenance	0.1%
Industrial Equipment Maintenance	0.1%
Water Plant Operation	0.2%
Engineering Equipment Operation	5.5%
Total	100%



PWS Information Matrix

From 4-Step Analysis
to Building the PWS



Job Analysis

Performance
Standards

ALP

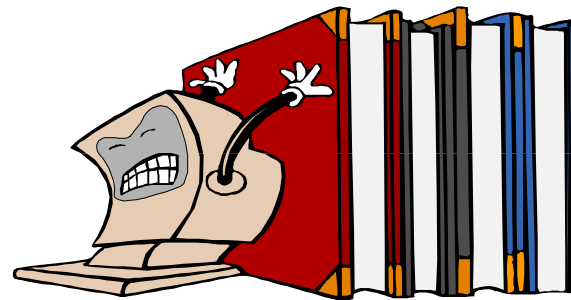
Workload
Data

C1 General Information				
C2 Definitions				
C3 Government Furnished Property & Services				
C4 Contractor Furnished Items				
C5 Specific Tasks				
C6 Applicable Documents				
Technical Exhibits				

PBSA References for the Professional

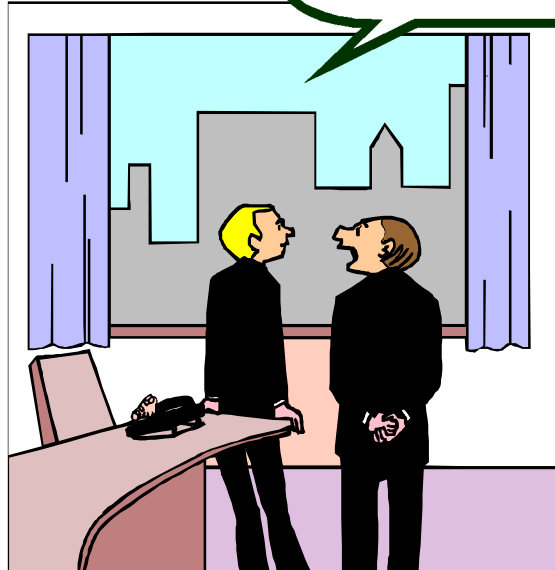
**Guidebook for Performance-Based
Services Acquisition (Dec 2000)**
and
**User's Guide to Performance-Based Payments
(Jan 2001)**

<http://www.acq.osd.mil/ar/initiati.htm#pbc>



Acquisition of Services

Here's what's important!



- Performance Outcomes
- Job Analysis
 - Organizational Analysis
 - Work Breakdown Structure
 - Activity Analysis
- Performance Standards
- ALP
- Workload Data

Services Acquisition Acronym & Definitions

A&LE	Acquisition & Logistics Excellence
ALP	Acceptable Level of Performance
AMC	Army Materiel Command
ANSI	American National Standards Institute
ASTM	American Society for Testing & Materials
CAIV	Cost as an Independent Variable
CDRL	Contract Data Requirements Line
DoD	Department of Defense
FAC	Federal Acquisition Circular
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
GFE	Government Furnished Equipment
GFF	Government Furnished Facilities
GFP	Government Furnished Property
MIS	Management Information System
OFPP	Office of Federal Procurement Policy
PBP	Performance-Based Payments
PBSA	Performance-Based Services Acquisition
PBSC	Performance-Based Service Contract
PRS	Performance Requirements Summary
PWS	Performance Work Statements
QA	Quality Assurance
QAE	Quality Assurance Evaluator

QASP	Quality Assurance Surveillance Plan
QC	Quality Control
RIT	Rapid Improvement Team
T.O.	Task Order
WBS	Work Breakdown Structure

Acceptable Level of Performance: The maximum percent defective, the maximum number of defects per hundred units, or the number of defects in a lot that can be considered satisfactory on the average. The allowable leeway or variance from a standard before the government will reject the specific service.

Best value means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

Clean: As used generally, means removal of dirt or impurities. As used for acceptance of work means gleaming, free from dirt, contamination, or impurities; unsoiled, unstained, recently laundered, fresh and unused, neat and tidy; having no flaws or roughness, clear, regular, or having few corrections.

Contracting Officer (KO): An individual appointed in accordance with procedures prescribed by the Federal Acquisition Regulation with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

Contracting Officer's Representative (COR): Any person who has been appointed in writing as the authorized representative of the Contracting Officer acting within the limits of his authority.

Contractor: The term contractor as used herein refers to both the prime contractor and any subcontractors.

Directorate of Public Works (DPW): That activity which includes: All Real Property Maintenance Activity (RPMA) types of work and functions for functional categories such as Operation of Utilities; Maintenance and Repair of Real Property; Minor Construction; other Engineering Support to include entomology and custodial. Includes cost of family housing units and all services provided in operation of family housing facilities to include utilities, entomology, maintenance and repair, and Real Property incidental improvements.

Emergency: The reporting of sudden, usually unforeseen, occurrences where life or property are in immediate danger and require immediate action.

Emergency Service Request: A request for service (with short response time) when health, safety, or military mission will be adversely affected if the situation is not abated as soon as possible.

Maintenance: The recurring day-to-day, periodic, or scheduled work required to repair or maintain equipment and facilities in a specified condition, or to restore systems or components to initial or usable condition by overcoming the effects of breakdowns, wear and tear, damage, or deterioration. This includes work undertaken to prevent damage to a system or component which otherwise would be more costly to restore.

Performance-Based Contract: (FAR 2.101) Structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

Performance Indicator: A characteristic of an output of a work process that can be measured.

Performance Standard: An acknowledged measure of comparison.

Performance Requirements Summary (PRS): The PRS shows contract requirements, the component requirements related to each contract requirement, the price of each work requirement as a percentage of the associated contract requirement (Fixed Price Contracts), the standard of performance, and the acceptable quality level (AQL) for each work requirement.

Performance Work Statement (PWS): The PWS consists of the definitive or descriptive words identifying the subject matter of the contract referred to as the specifications or work statement.

Quality Assurance (QA): Actions taken by the Government to inspect or check goods and services to determine that they meet or do not meet contract requirements.

Quality Assurance Surveillance Plan (QASP): An organized written document used by Government for quality assurance surveillance. Document contains sampling/ evaluation guides, checklists, and the performance requirements summary (PRS).

Quality Control Program (QC): Contractor's system to control the equipment, systems, or services so that they meet the contract requirements.

Random Sample: A sampling method where each service output in a lot has an equal chance of being selected.

Repair: Restoration of a RPF to such condition that it may effectively be used for its designated functional purpose. Repair may be overhaul, reprocessing, or replacement of deteriorated component parts, materials, or equipment. Repair includes correction of deficiencies in failed or failing components of existing facilities or systems to meet contract standards and codes where such work, for reasons of economy, should be done concurrently with restoration of failed or failing components.

Respond: The Contractor's action to mobilize his workforce at the work site capable of assessing the problem.

Service Contract: A contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. A service contract may be either a nonpersonal or personal contract. It can also cover services performed by either professional or nonprofessional personnel whether on an individual or

organizational basis. Some of the areas in which service contracts are found include the following:

1. Maintenance, overhaul repair servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment.
2. Routine recurring maintenance of real property.
3. Housekeeping and base services.
4. Advisory and assistance services.
5. Operation of Government-owned equipment facilities, and systems.
6. Communications services.
7. Architects-Engineering (see Subpart 36.6).
8. Transportation and related services (see Part 47).
9. Research and development (see Part 35).

FAR 37.101

Service Order (SO): Minor maintenance, repair, and installation within specified limit for which work hours and other resources are such that detailed estimating and scheduling are not economically justified.

Work Request: A work authorization document grouped into one to three categories: Individual Job Order, Standing Operations Order, or Service Order. Each work request is managed by techniques and procedures designed specifically for that category.

Working Hours: The hours designated by the Installation Commander for an activity to provide a product or service.